

## **CITY COUNCIL PROPOSED BUDGET OVERVIEW**

### **SUBJECT**

Discussion of the 2013-2014 Operating Budget and the 2013-2019 Capital Investment Program (CIP).

### **FISCAL IMPACT**

The 2013-2014 Preliminary Budget contains no general tax increases. However, it does include proposed increases in Development Services fees and Utility rates, which were discussed on November 13.

When presented for Council action on December 3, as currently reflected in the Preliminary Budget, the property tax ordinance will contain no increase but will continue the City's historic practice of "banking" the statutorily available 1% increase. Companion ordinances will be included for Development Services fees, Utility rates, and approval of Human Services Fund funding recommendations. No other general tax legislation is required for the 2013-2014 Budget as currently developed.

Staff will also prepare a budget ordinance providing appropriation authority by fund, known as the "umbrella" ordinance. This ordinance will also adopt pay plans for 2013.

### **STAFF CONTACT**

Steve Sarkozy, City Manager 452-6818  
Jan Hawn, Finance Director 452-6846  
Toni Rezab, Assistant Finance Director, 452-7863

### **POLICY CONSIDERATION**

#### RCW 35A.34 – Biennial Budgets:

State law specifies requirements that must be followed in budgeting each of the City's funds.

Key areas covered include:

- Preparation and filing of a preliminary budget by the Chief Administrative Officer, i.e., City Manager;
- A "budget message" from the chief administrative officer explaining the content, financial policies and major proposed changes;
- A public hearing on the proposed preliminary budget conducted before adoption of a final budget, which shall be held on or before the first Monday in December;
- Balanced expenditure and revenue estimates for each of the City's funds;
- Council adoption of the budget prior to the beginning of the ensuing fiscal biennium, i.e., January 1, 2013.

The City's 2013-2014 Proposed Operating and 2013-2019 Proposed Capital Investment Program (CIP) Budget are consistent with Council's direction to continue high quality, efficient municipal services.

## **DIRECTION NEEDED FROM COUNCIL**

☐ Action  
☒ Discussion  
☒ Information

Council feedback is requested on specific budget elements and/or changes to the Preliminary Budget as more fully described in Attachment B and C. Council direction is necessary for preparation of the budget ordinances which are scheduled for adoption on December 3, 2012.

## **BACKGROUND/ANALYSIS**

An overview of the City Manager's Preliminary Budget was presented on October 15, 2012 with additional information presented and questions answered during the October 22, November 5, and November 13 Council Study Sessions.

Tonight's session will include review of the summary of actions required via ordinance on December 3 together with known changes proposed for inclusion in the budget (as of November 19, 2012). These changes include technical adjustments such as grants and donations received, corrections of errors, and recent Council actions not reflected in the Preliminary Budget due to timing. See Attachment B.

Council has inquired about several items over the course of 2013-2014 Biennial Budget deliberations which were not included in the Preliminary Budget and not included in the proposed changes identified in Attachment B. Those items can be found in Attachment C and total \$125,000 in 2013 and \$90,000 in 2014.

Staff requests feedback on any additional changes that Council would like to see reflected in the ordinances prepared for December 3. Staff requests that Council continue to bring the Preliminary Budget document to the November 26 and December 3 meetings.

## **Alternatives**

1. Direct staff to prepare the 2013-2014 Budget Adoption ordinances for Council consideration to include items noted in Attachments B and C.
2. Direct staff to prepare the 2013-2014 Budget Adoption ordinances for Council consideration to include only those items noted in Attachment B.
3. Direct staff to prepare the 2013-2014 Budget Adoption ordinances for Council consideration to not include items in either Attachments B or C.
4. Provide other direction to staff.

## **Recommendation**

Staff recommends the 2013-2014 Budget Adoption ordinances to include all items noted in Attachment B and C. Attachment C items would be funded with one-time funding from fund balance. Staff will continue to monitor the City's fiscal condition and if economic changes warrant, staff will return to Council for additional direction.

**ATTACHMENT(S)**

Attachment A – Calendar of Budget Discussions

Attachment B – Proposed Technical Preliminary-to-Adopted Budget Changes as of November 19, 2012

Attachment C - Brief Descriptions of Potential Additional Budget Adjustments Raised at Council Meetings

## ATTACHMENT A

### 2013-2014 Budget/2013-2019 CIP Budget Discussions/Calendar

| <b>Dates</b>                  | <b>Meeting Type</b> | <b>Topic/Purpose</b>   | <b>Done</b> |
|-------------------------------|---------------------|--|-------------|
| February 3-4, 2012            | Council Retreat     | Council Vision/Priorities  | X           |
| February 13, 2012             | Study Session       | Budget process overview, calendar, establishment of Outcomes   | X           |
| February 21, 2012             | Study Session       | Capital funding strategy, update on forecast   | X           |
| March 12, 2012                | Study Session       | Capital funding strategy   | X           |
| April 2, 2012                 | Council Workshop    | Forecast Update, Early Operating/CIP budget discussion; Results Teams' strategy maps   | X           |
| May 7, 2012                   | Study Session       | Public engagement  | X           |
| May 14, 2012                  | Regular Session     | Public Hearing #1  | X           |
| June 11, 2012                 | Council Workshop    | East Link/CIP  | X           |
| July 2, 2012                  | Study Session       | Department Presentations   | X           |
| July 9, 2012                  | Study Session       | Department Presentations   | X           |
| July 23, 2012                 | Study Session       | Public Hearing #2  | X           |
| July 30, 2012                 | Council Workshop    | Forecast update, Results Team & Leadership Team recommendations on Operating Budget/CIP  | X           |
| August, 2012                  | Council Briefings   | Operating Budget/CIP   | X           |
| September 10, 2012            | Study Session       | Capital funding strategy; public engagement  | X           |
| October 15, 2012              | Study Session       | Preliminary Budget (Operating Budget/CIP)  | X           |
| October 15 – December 3, 2012 | Study Sessions      | Budget/CIP deliberation  |             |
| November 20, 2012             | Focus Group Session | Public Engagement  | X           |
| November 19, 2012             | Regular Session     | Public Hearing #3  | X           |
| November 26, 2012             | Study Session       | Budget/CIP deliberation and direction  | In progress |
| December 3, 2012              | Regular Session     | Budget Adoption <ul style="list-style-type: none"> <li>◦ Human Services Fund funding recommendations</li> <li>◦ Utility rates</li> <li>◦ Development Services rates</li> <li>◦ Property tax levy and banking of capacity</li> <li>◦ 2013-2014 Operating Budget, Pay Plans, and 2013-2019 CIP Plan</li> </ul> |             |

**ATTACHMENT B – Proposed Technical Changes as of November 19, 2012  
2013-2014 Preliminary-to-Final Budget Changes**

The table below summarizes the proposed budget changes from Preliminary to Final for the 2013-2014 Budget. These changes include technical adjustments such as grants and donations received, corrections of errors, and recent Council actions not reflected in the Preliminary Budget due to timing. Budget appropriation changes are classified as General Fund, Other Operating, Special Purpose, or Capital Project.

|  | 2013-2014 Budget |               |   |
|--|------------------|---------------|---|
|  | FTEs             | Resources     | Expenditures & Reserves                           |
|  | Explanation      |               |   |
| General Fund   |                  |               |   |
| General Fund   |                  |               |   |
| A) Preliminary Budget  |                  | \$351,034,035 | \$351,034,035                                     |
|  |                  | -             | -   |
| Total 2013-2014 General Fund Budget                                |                  | \$351,034,035 | \$351,034,035                                     |
| Other Operating Funds  |                  |               |   |
| Facilities Fund  |                  |               |   |
| A) Preliminary Budget  |                  | \$13,747,160  | \$13,747,160                                      |
| B) Council Agenda Item   |                  |               |   |
| a) Fire Station No. 14 Cash/Revenues for Fire Service (Res. #8456) |                  | 700,000       | 700,000 Transfer from FD #14 and Held in Reserves |
| Total 2013-2014 Facilities Fund Budget                             |                  | \$14,447,160  | \$14,447,160                                      |
| Marina Fund  |                  |               |   |
| A) Preliminary Budget  |                  | \$2,409,864   | \$2,409,864                                       |
| B) Technical Adjustments   |                  |               |   |
| a) Removal of Double Budgeting Error                               |                  | (813,275)     | (813,275) Revenue and Fund Balance Reduction      |
| Total 2013-2014 Marina Fund Budget                                 |                  | \$1,596,589   | \$1,596,589                                       |
| Water Utility Fund   |                  |               |   |
| A) Preliminary Budget  |                  | \$102,697,774 | \$102,697,774                                     |
| B) Technical Adjustments   |                  |               |   |
| a) Carry Forward Expenses  |                  | 1,203,534     | 1,203,534 Delayed Purchases                       |
| Total 2013-2014 Water Utility Fund Budget                          |                  | \$103,901,308 | \$103,901,308                                     |
| Sewer Utility Fund   |                  |               |   |
| A) Preliminary Budget  |                  | \$114,538,386 | \$114,538,386                                     |
| B) Technical Adjustments   |                  |               |   |
| a) Carry Forward Expenses  |                  | \$399,254     | \$399,254 Delayed Purchases                       |
| Total 2013-2014 Sewer Utility Fund Budget                          |                  | \$114,937,640 | \$114,937,640                                     |
| Storm Drainage Fund  |                  |               |   |
| A) Preliminary Budget  |                  | \$46,970,986  | \$46,970,986                                      |
| B) Technical Adjustments   |                  |               |   |
| a) Carry Forward Expenses  |                  | 381,978       | 381,978 Delayed Purchases                         |
| Total 2011-2012 Storm Drainage Utility Fund Budget                 |                  | \$47,352,964  | \$47,352,964                                      |

|   | 2013-2014 Budget |               |   |
|---|------------------|---------------|---|
|   | FTEs             | Resources     | Expenditures & Reserves                                 |
| Explanation   |                  |               |   |
| Special Purpose Funds   |                  |               |   |
| Operating Grants, Donations and Special Reserves Fund                           |                  |               |   |
| A) Preliminary Budget   |                  | \$7,432,184   | \$7,432,184   |
| B) Council Agenda Item  |                  |               |   |
| a) Washington State Department of Commerce Energy Efficiency Grant (Ord. #6070) |                  | 310,000       | 310,000   |
|   |                  |               | Grant Revenue for Repair and Maintenance                |
| Total 2013-2014 Operating Grants and Donations Fund                             |                  | \$7,742,184   | \$7,742,184   |
| Capital Funds   |                  |               |   |
| Utility CIP Fund  |                  |               |   |
| A) Preliminary Budget   |                  | \$156,100,313 | \$156,100,313   |
| B) Technical Adjustments  |                  |               |   |
| a) Corrections to Utility CIP GovMax Budget                                     |                  | 4,916,138     | \$4,916,138   |
|   |                  |               | Corrections to Operating Transfer in Revenue Accounting |
| Total Utility CIP Fund  |                  | \$161,016,451 | \$161,016,451   |

### **Attachment C: Brief Descriptions of Potential Additional Budget Adjustments Raised at Council Meetings**

Council has inquired about several items over the course of 2013-2014 Biennial Budget deliberations which were not included in the Preliminary Budget and not included in the proposed changes identified in the agenda memo included in tonight's Council packet.

In order to fund these items, corresponding reductions in expenditures or fund balance or an offsetting increase in revenues will be required. Using fund balance to pay for ongoing expenditures is not considered to be a sustainable fiscal practice.

#### **Visit Bellevue**

*Visit Bellevue Washington* has asked for the City's support with several projects in 2013. These projects are targeted to attract new visitors to Bellevue and provide a positive economic impact to the City as a whole. The specific projects discussed require **\$50,800 in 2013**. At the Public Hearing on November 19, *Visit Bellevue* clarified that they were also requesting **\$50,000 in 2014**.

#### **Arts Core Program**

Council asked for some additional information on the *Arts Core Program*. The Arts Core Program develops and supports a variety of arts and cultural organizations for Bellevue residents and visitors. During the economic downturn, program funding was reduced on a one-time basis from \$110,000 to \$82,500 in 2012. The 2013-2014 Preliminary Budget includes a funding request of \$100,000 per year, which reflects an ongoing \$10,000 reduction per year from the original budget request. The Arts Commission is recommending restoration of **\$10,000 for each year of the biennium**.

The actual amount spent in 2011 was \$110,000; however, \$18,000 of that amount was for the Bellevue Philharmonic Orchestra which is no longer in existence. While the Bellevue Philharmonic did close its doors, new organizations have come to the City, such as Emerald Ballet Theater and Wintergrass, which draws an even larger audience than the Philharmonic had done.

#### **Electrical Reliability**

*Electrical reliability* is critical to meet economic, public safety, and public health objectives, as well as community expectations regarding convenience and quality of life. A consultant study confirmed that Bellevue has met regulatory standards (Washington Utilities and Trade Commission ("WUTC")) for the last five years. The consultants provided a list of recommended actions to proactively advance the Council's Electrical Reliability Interest Statement. **\$30,000 is requested for each year of the biennium** to perform this scope of work.

#### **Hualien Lions/Fu Dogs**

The City received two *Hualien Lions/Fu Dogs* as gifts in 2010. These artifacts have been in storage since they arrived. In anticipation of the upcoming visit by Hualien City's Mayor, the Council expressed interest in moving the Hualien Lions/Fu Dogs to a more permanent location at City Hall. The cost to move the two Fu Dog sculptures to City Hall would require approximately **\$35,000 in one-time funding**.